

Message Text

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PAGE 01 RABAT 03974 271738Z

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ACTION AF-18

INFO OCT-01 EUR-25 ADP-00 CIAE-00 DODE-00 INR-10 NSAE-00

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SUBJECT: GOM ISSUES NEW INVESTMENT CODES

REFERENCE: RABAT 3118

BEGIN SUMMARY: NEW MOROCCAN INVESTMENT CODES REPRESENT CLEAR IMPROVEMENT OVER PREVIOUS CODE AND WILL IMPROVE INVESTMENT CLIMATE. STRESS NOW ON AUTOMATICITY, TAX BENEFITS, AND REGIONAL DEVELOPMENT. NEW PREREQUISITE IS MOROCCANIZATION, EXCEPT IN CASE EXPORT AND TOURISM INDUSTRIES. ULTIMATE IMPORTANCE OF CODES IN PROMOTING MOROCCAN DEVELOPMENT WILL DEPEND ON MANNER THEIR IMPLEMENTATION. END SUMMARY.

1. MAIN FEATURES OF NEW CODES. GOM PUBLISHED SEPARATE NEW CODES REGULATING INVESTMENT IN INDUSTRY, MINING, TOURISM, HANDICRAFTS AND SHIPPING IN BULLETIN-OFFICIEL OF AUGUST 15 (COPIES POUCHED TO DEPARTMENT, AF/N, AND USDOC, BIC). THEY INCORPORATE SUBSTANTIAL CHANGE FROM PREVIOUS OVERALL CODE OF 1961. PRINCIPAL DIFFERENCES ARE (A) ABOLISHMENT OF INVESTMENT COMMISSION WHICH HAD DISCRETIONARY AUTHORITY TO GRANT OR WITHHOLD INCENTIVES. HENCEFORTH, INCENTIVES WILL BE GRANTED AUTOMATICALLY UPON APPROVAL OF INVESTMENT BY INTERESTED MINISTRY; (B) USE OF TAX

UNCLASSIFIED

UNCLASSIFIED

PAGE 02 RABAT 03974 271738Z

HOLIDAY INSTEAD OF EQUIPMENT SUBSIDY AS PRINCIPAL INCENTIVE;

(C) DENIAL OF INCENTIVES TO INVESTORS WHO ARE NOT "MOROCCANIZED,"

(MINIMUM FIFTY PERCENT MOROCCAN CAPITAL). ONLY TOURISM INVESTMENT AND THOSE IN LISTED EXPORT INDUSTRIES EXEMPT THIS REQUIREMENT;
(D) SPECIAL ENCOURAGEMENT OF INVESTMENT IN LESS-DEVELOPED REGIONS OF COUNTRY.

2. APPLICATION OF INVESTMENT INCENTIVES. INCENTIVES APPLY TO ANY INVESTMENT IN TOURISM OR SHIPPING AND TO THOSE OVER DH 100,000 IN INDUSTRY AND MINING. INVESTMENTS OF ABOVE DH 30 MILLION PLUS ANY IN SPECIFIED INDUSTRIES (VEHICLE/TRACTOR ASSEMBLY, TIRES, VEGETABLE OIL REFINING, SUGAR MILLS, CEMENT PLANTS, PETROLEUM REFINERIES, FLOUR MILLING) REQUIRE SPECIAL AGREEMENT WITH GOM. IN SUCH CASES, GOM RETAINS RIGHT AWARD INCENTIVES ON CASE BY CASE BASIS.

3. GENERAL TYPES OF INCENTIVES. EXCEPT IN CASE SECTORS DISCUSSED BELOW, INCENTIVES, SOME OF WHICH WERE IN OLD CODE, ENCOMPASS
(A) EXEMPTION FROM CUSTOMS DUTIES ON EQUIPMENT IMPORTS; (B) EXONERATION FROM SALES TAX ON PURCHASES OF EQUIPMENT AND MATERIAL (WHETHER MADE LOCALLY OR IMPORTED); (C) REDUCTION OF REGISTRATION TAX (GENERALLY FROM 1.5 PERCENT) TO 0.5 PERCENT OF CAPITAL INVESTED
(D) FULL OR FIFTY PERCENT 10-YEAR TAX HOLIDAY WHICH APPLICABLE ALSO TO EXISTING INVESTMENTS UNDER CERTAIN CONDITIONS; (E) FIVE-YEAR EXONERATION FROM LICENSE FEES; (F) GUARANTEED RETRANSFER ABROAD OF CAPITAL INVESTED BY AND DIVIDENDS ACCRUING TO FOREIGN COMPANIES;
(G) REBATE OF PART OF INTEREST PAID ON LOANS FROM STATE DEVELOPMENT CREDIT AGENCIES (E.G. BNDE).

4. MODIFICATION OF INCENTIVES IN KEY SECTORS.

A. INDUSTRY PRODUCING FOR DOMESTIC MARKET RECEIVES FULL 10-YEAR PROFITS TAX HOLIDAY FOR INVESTMENTS IN POORER PROVINCES, FIFTY PERCENT REDUCTION OVER TEN YEARS IN ALL OTHERS EXCEPT CASABLANCA WHERE ACCELERATED TAX WRITE-OFF OF NEW CAPITAL ASSETS APPLIES.

B. LISTED EXPORT INDUSTRIES RECEIVE FULL 10-YEAR TAX HOLIDAY ON PROFITS GAINED FROM EXPORT BUSINESS REGARDLESS THEIR LOCATION. THEY ALSO AUTHORIZED TRANSFER ADDITIONAL FUNDS OVERSEAS TO OPERATE OFFICES AND PUT OUT PUBLICITY.

C. TOURISM INVESTMENTS EXONERATED FROM LICENSE TAX FOR TEN YEARS. IN ADDITION, BEYOND NORMAL FINANCING AVAILABLE FROM CREDIT
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PAGE 03 RABAT 03974 271738Z

IMMOBILIER ET HOTELIER (CIH), INVESTORS MAY NOW RECEIVE 10-YEAR INTEREST-FREE LOAN FROM GOM EQUAL TO FIFTEEN PERCENT OF PLANNED INVESTMENT. (THIS BRINGS CUMULATIVE GOVERNMENT FINANCING AVAILABLE FOR TOURIST INVESTMENTS TO ABOUT 75 PERCENT.) TEN-YEAR PROFITS TAX HOLIDAY IS TOTAL FOR INVESTMENT IN SECONDARY TOURIST AREAS. ELSEWHERE FIFTY PERCENT REDUCTION APPLIES.

D. MINING AND SHIPPING (INCLUDING FISHING) INVESTMENTS ARE GRANTED BENEFITS ACCELERATED DEPRECIATION IN LIEU PROFITS TAX HOLIDAY. IF

MINING INVESTMENT OF SUFFICIENT SIZE, GOM WILL CONTRIBUTE HALF OF ASSOCIATED INFRA-STRUCTURE COSTS. SHIPPING IS ONLY INDUSTRY TO WHICH GOM WILL NOW OFFERS EQUIPMENT SUBSIDY. IT AMOUNTS TO FIFTEEN PERCENT OF PURCHASE PRICE OF MOST VESSELS OF CERTAIN SIZE AND AGE PLUS ADDITIONAL FIVE TO FIFTEEN PERCENT FOR A FEW SELECTED TYPES.

5. COMMENT. NEW CODES REPRESENT VAST IMPROVEMENT. THEY ARE PROMISING START TOWARDS IMPROVING INVESTMENT CLIMATE IN MOROCCO. PRINCIPAL FACTOR DETERMINING THEIR SUCCESS IN PROMOTING NEW INVESTMENT WILL PROBABLY BE ABILITY OF MINISTRIES DECIDE ON INVESTMENT PROPOSALS WITHOUT EXCESSIVE DELAY OR CAVIL. GOM HANDLING OF LARGE INVESTORS (SEE PARA 2 ABOVE) WILL ALSO BEAR WATCHING. ROCKWELL

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